



For Immediate Release
December 27, 2010

Contact: NR 145-10-S
Arie Dana
310-377-6313

New Fee on Delinquent Taxpayers Effective January 1, 2011

Legislation Imposed the Fee and Requires the BOE to Collect

Board of Equalization Member Michelle Steel warned today that thousands of California businesses will potentially be assessed a fee on past due liabilities beginning in 2011, under recently enacted legislation. More than 90,000 businesses will be notified of this potential fee beginning January 1, 2011.

The legislation, which Board Member Steel opposed, imposed the new collection cost recovery fee and requires the Board of Equalization (BOE) to collect a fee on any person failing to pay amounts due and owing. “It makes no sense to hit struggling taxpayers, who are already behind in their payments, with this punitive fee,” said Steel. “If they can’t pay the tax, how will they pay the fee?”

The fee applies to most taxes and fees collected by the BOE and is intended to cover costs incurred in obtaining payment of past due amounts. The fee may only be imposed after the BOE has notified a taxpayer of the potential fee by mailing a notice advising that the continued failure to pay the amount due may result in collection action and potential assessment of the collection cost recovery fee. The BOE could potentially assess a fee on each liability greater than \$250 that remains unpaid for more than 90 days. Liabilities of \$250 or less will not be assessed this new fee. The fee amount, adjusted annually to reflect the cost of collecting unpaid liabilities, ranges from \$185 to \$925 for calendar year 2011, as follows:

Fee Amounts Effective January 1, 2011

Liability Size	Liability Amount	Fee Amount
Small	\$250.01 - \$2,000.00	\$185
Medium	\$2,000.01 - \$50,000.00	\$550
Large	\$50,000.01 and greater	\$925

The BOE has identified more than 90,000 tax and fee payers with outstanding sales and use tax liabilities or overdue payments in the many tax and fee programs administered by BOE.

Steel noted that taxpayers can avoid the fee by paying their liability in full prior to the fee being assessed, that is before 90 days from the date the notice expires. The notice they receive will state that the new collection cost recovery fee will be due if each liability of greater than \$250 remains unpaid for more than 90 days. Taxpayers unable to pay in full now may still avoid the fee if they qualify for, enter into, and complete an installment payment agreement, which allows for payment of a tax, fee, or surcharge debt in smaller, more manageable amounts. Also, if the BOE finds that a taxpayer’s failure to pay the amount

being collected is due to reasonable cause and circumstances beyond the taxpayer's control, the BOE may relieve the taxpayer of the collection cost recovery fee.

The BOE estimates the fee will cost taxpayers \$5.2 million from additional collection of taxes, fees, and surcharges for the remainder of the 2010-11 Fiscal Year and \$19.4 million to \$22.6 million annually beginning in 2011-12.

This new collection cost recovery fee requirement was added to the Revenue and Taxation Codes by Senate Bill [858](#) (Chapter 721, Statutes of 2010).

Elected to the Board of Equalization in 2006, Michelle Steel serves as *Southern California's elected taxpayer advocate*. In December 2007, Steel discovered the Board of Equalization had delayed the return of millions of dollars in security deposits owed to California businesses. Procedures were changed due to Steel's decisive leadership. Following her investigation, the tax agency refunded tax security deposits to over 5,500 small businesses.

The five-member California State Board of Equalization (BOE) is a publicly elected tax board. The BOE collects more than \$48 billion annually in taxes and fees supporting state and local government services. It hears business tax appeals, acts as the appellate body for franchise and personal income tax appeals, and serves a significant role in the assessment and administration of property taxes. For more information on other taxes and fees in California, visit www.taxes.ca.gov.

The [Special Notice](#) is available on the BOE website at www.boe.ca.gov.

###